

CONSOLIDATED FINANCIAL STATEMENTS



MIRACLEFEET AND MIRACLEFEET UK

**FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

MIRACLEFEET AND MIRACLEFEET UK

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
MiracleFeet
MiracleFeet UK
Chapel Hill, North Carolina

We have audited the accompanying consolidated financial statements of MiracleFeet and MiracleFeet UK (collectively MiracleFeet), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MiracleFeet as of June 30, 2019, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from MiracleFeet's 2018 consolidated financial statements, which were audited by other auditors and, in their report dated October 9, 2018, they expressed an unmodified opinion on those statements.



September 26, 2019

MIRACLEFEET AND MIRACLEFEET UK
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and equivalents	\$	3,294,608	\$ 1,696,470
Advances to partners		83,222	-
Promises to give		1,626,776	2,401,792
Inventory		76,861	46,935
Prepaid expenses and other assets		<u>190,844</u>	<u>24,737</u>
Total current assets		<u>5,272,311</u>	<u>4,169,934</u>
FIXED ASSETS			
Property and equipment, net of accumulated depreciation and amortization of \$78,522		<u>94,989</u>	<u>119,035</u>
NONCURRENT ASSETS			
Intangible assets, net of accumulated amortization		226,630	-
Promises to give, net of current portion and present value discount		<u>1,915,457</u>	<u>681,379</u>
Total noncurrent assets		<u>2,142,087</u>	<u>800,414</u>
TOTAL ASSETS		<u>\$ 7,509,387</u>	<u>\$ 4,970,348</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	27,921	\$ 55,813
Grants payable		-	189,728
Accrued vacation		<u>15,494</u>	<u>15,774</u>
Total liabilities		<u>43,415</u>	<u>261,315</u>
NET ASSETS			
Without donor restrictions		3,397,996	1,201,928
With donor restrictions		<u>4,067,976</u>	<u>3,507,105</u>
Total net assets		<u>7,465,972</u>	<u>4,709,033</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 7,509,387</u>	<u>\$ 4,970,348</u>

MIRACLEFEET AND MIRACLEFEET UK

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions - nonprofits, foundations, trusts	\$ 701,687	\$ 3,581,899	\$ 4,283,586	\$ 2,541,760
Contributions - individuals	560,050	2,688,677	3,248,727	746,728
Contributions - businesses	35,053	67,000	102,053	107,964
Interest and realized gains	17,994	-	17,994	7,767
In-kind contributions	100,047	-	100,047	103,115
Net assets released from donor restrictions	<u>5,776,705</u>	<u>(5,776,705)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,191,536</u>	<u>560,871</u>	<u>7,752,407</u>	<u>3,507,334</u>
EXPENSES				
Program Services	<u>4,017,286</u>	<u>-</u>	<u>4,017,286</u>	<u>2,568,824</u>
Supporting Services:				
Management and General	374,993	-	374,993	319,611
Development and Fundraising	<u>600,955</u>	<u>-</u>	<u>600,955</u>	<u>556,657</u>
Total Supporting Services	<u>975,948</u>	<u>-</u>	<u>975,948</u>	<u>876,268</u>
Total expenses	<u>4,993,234</u>	<u>-</u>	<u>4,993,234</u>	<u>3,445,092</u>
Change in net assets before other items	2,198,302	560,871	2,759,173	62,242
OTHER ITEMS				
Foreign currency exchange losses	(2,234)	-	(2,234)	(347)
Loss on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(414)</u>
Change in net assets	2,196,068	560,871	2,756,939	61,481
Net assets at beginning of year	<u>1,201,928</u>	<u>3,507,105</u>	<u>4,709,033</u>	<u>4,647,552</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,397,996</u>	<u>\$ 4,067,976</u>	<u>\$ 7,465,972</u>	<u>\$ 4,709,033</u>

MIRACLEFEET AND MIRACLEFEET UK

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019			2018	
	Program Services	Management and General	Development and Fundraising	Totals	Total
Treatment and training	\$ 2,090,870	\$ -	\$ -	\$ 2,090,870	\$ 1,180,560
Salaries	499,156	174,971	313,641	987,768	942,148
Payroll taxes	36,773	12,670	23,316	72,759	70,013
Employee benefits	34,413	11,830	22,947	69,190	70,364
Depreciation and amortization	592,444	27,036	26,435	645,915	25,693
International consultants	198,529	-	-	198,529	104,523
Translation, research, and association dues	37,705	-	-	37,705	20,754
Travel	181,578	3,447	23,700	208,725	209,407
Contract services	62,181	74,499	27,429	164,109	234,614
Digital tools and technology	150,070	-	-	150,070	177,059
Printing and copying	17,072	629	65,132	82,833	20,150
Facilities and equipment	35,058	12,052	23,377	70,487	76,375
Miscellaneous	14,547	6,807	46,259	67,613	99,950
Accounting	16,764	39,387	8,382	64,533	59,393
Insurance	17,739	7,940	4,773	30,452	24,556
Outreach and education	15,464	-	6,866	22,330	80,606
Staff development and conferences	7,835	1,912	3,226	12,973	28,819
Telecommunications	5,485	1,193	2,005	8,683	9,171
Supplies	3,361	523	1,261	5,145	9,503
Postage	242	97	2,206	2,545	1,434
TOTAL EXPENSES	\$ 4,017,286	\$ 374,993	\$ 600,955	\$ 4,993,234	\$ 3,445,092

See accompanying notes to consolidated financial statements.

MIRACLEFEET AND MIRACLEFEET UK

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,756,939	\$ 61,481
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	645,915	25,693
Loss on disposal of fixed assets	-	414
Discount on noncurrent receivables	98,807	(11,669)
Contribution of furniture	-	(53,992)
(Increase) decrease in:		
Advances to partners	(83,222)	-
Promises to give	(557,869)	473,728
Inventory	(29,926)	(15,001)
Prepaid expenses and other assets	(166,107)	2,851
Increase (decrease) in:		
Accounts payable	(27,892)	33,268
Grants payable	(189,728)	(139,911)
Accrued vacation	<u>(280)</u>	<u>3,185</u>
Net cash provided by operating activities	<u>2,446,637</u>	<u>380,047</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,990)	(13,270)
Purchase of intangible assets	<u>(845,509)</u>	<u>-</u>
Net cash used by investing activities	<u>(848,499)</u>	<u>(13,270)</u>
Net increase in cash and cash equivalents	1,598,138	366,777
Cash and cash equivalents at beginning of year	<u>1,696,470</u>	<u>1,329,693</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,294,608</u>	<u>\$ 1,696,470</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donated Securities	<u>\$ 148,323</u>	<u>\$ -</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

MiracleFeet is a non-profit organization, incorporated and located in the State of North Carolina. MiracleFeet is dedicated to providing proper treatment for children born with clubfoot in developing countries. MiracleFeet partners with local orthopedic surgeons working in public hospitals to establish and support clubfoot clinics within the existing public health system. MiracleFeet believes this is the most effective, efficient, and sustainable approach to prevent the significant disability caused by untreated clubfoot around the world.

MiracleFeet's affiliate, MiracleFeet UK, is a charitable organization incorporated in the United Kingdom. Its purpose is to assist in the treatment of children who are born with clubfoot by providing grants to support programs in low and middle-income countries and to educate the public about untreated clubfoot in children.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended June 30, 2019 and applied retrospectively.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MiracleFeet and MiracleFeet UK's consolidated financial statements for the year ended June 30, 2018, from which the summarized information was derived.

The accompanying financial statements represent the activity of MiracleFeet and MiracleFeet UK. For the year ended June 30, 2019, the financial statements of MiracleFeet UK have been consolidated with MiracleFeet in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*, as MiracleFeet exercises significant influence and control over MiracleFeet UK. Throughout this report, the two entities are referred to as "MiracleFeet".

Cash and cash equivalents -

MiracleFeet considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, MiracleFeet maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

MiracleFeet had approximately \$37,154 of cash and cash equivalents held at financial institutions in foreign countries at June 30, 2019. The majority of funds invested in foreign countries are uninsured.

Advances to partners -

Advances to partners represent project funds provided to partners that have not been liquidated as of the Consolidated Statement of Financial Position date.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Advances to partners (continued) -

All amounts are considered current and collectible (if reimbursement was sought by MiracleFeet).

Intangible assets -

In June 2011, the FASB issued FASB ASC 350, *Goodwill and Other Intangible Assets*. FASB ASC 350 supersedes Accounting Principles Board Opinion No. 17, *Intangible Assets*, and requires goodwill and other intangible assets that have indefinite useful lives to be tested at least annually for impairment. FASB ASC 350 also requires an evaluation of existing acquired goodwill and other intangible assets for proper classification under its requirements. In addition, intangible assets (other than goodwill) that have finite useful lives will continue to be amortized over their useful lives. MiracleFeet's intangible asset will be amortized over a ten year period. As of June 30, 2019, the net balance of intangible assets aggregated \$226,630.

Promises to give -

Promises to give are recorded at their net realizable value, which approximates fair value. Promises to give that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Inventory -

Inventory consists of finished MiracleFeet clubfoot abduction braces and is measured at the lower of cost or net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11, *Simplifying the Measurement of Inventory*.

Fixed assets -

Fixed assets in excess of \$750 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally 3 to 7 years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense on MiracleFeet's fixed assets during the year ended June 30, 2019 totaled \$27,036.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

MiracleFeet is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. MiracleFeet is not a private foundation.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes (continued) -

MiracleFeet UK is a charitable incorporated organization governed under the laws of the United Kingdom.

Uncertain tax positions -

For the year ended June 30, 2019, MiracleFeet has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Contributions -

Contributions are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are presented as "net assets with donor restrictions" in the accompanying consolidated financial statements.

In-kind contributions -

In-kind contributions consist of professional services including legal, engineering and advertising. In-kind contributions are recorded at their fair value as of the date of the gift.

In addition, volunteers have donated significant amounts of their time to MiracleFeet; these donated services are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition as contributed services.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing MiracleFeet's programs and other activities have been summarized on a functional basis in the accompanying Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among program services and supporting services benefited.

MiracleFeet defines its Program Services expenses as direct costs specifically attributable to enhancing its program activities and ultimately furthering the organization's mission.

Supporting services expenses include the following categories: Management and General, and Development and Fundraising.

Management and General expenses are costs which the organization incurs in connection with carrying out its mission-related programs but cannot be specifically identified or directly allocated to a specific program or project.

Development expenses are costs which the organization incurs in support of its fundraising function but cannot be specifically identified or directly allocated to a specific fundraising activity. Fundraising expenses are specifically attributable to the activities related to raising funds. For the purposes of the consolidated financial statements (as well as for IRS Form 990), Development and Fundraising expenses have been combined into a single category.

Directly identifiable expenses are charged to their applicable functional category. Expenses attributable to various functions are allocated in reasonable ratios determined by management. Salaries, employee benefits, and other payroll-related expenses are allocated based on estimates of time and effort. Other expenses, unless directly allocated, are allocated to functional categories based on the same rationale as personnel or other reasonable basis.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of June 30, 2018 as unrestricted net assets are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets are now classified as net assets with donor restrictions.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements (not yet adopted) (continued) -

The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. MiracleFeet has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. MiracleFeet has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Consolidated Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

MiracleFeet plans to adopt the new ASUs at the respective required implementation dates.

2. PROMISES TO GIVE

As of June 30, 2019, contributors to MiracleFeet have made written promises to give of which \$3,664,454 remained outstanding. Promises to give beyond one year of the Consolidated Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 2.80%.

Promises to give are due as follows as of June 30, 2019:

Less than one year	\$ 1,626,776
One to five years	1,887,678
Beyond five years	<u>150,000</u>
Total	3,664,454
Less: current portion	(1,626,776)
Less: present value discount (2.80%)	<u>(122,221)</u>
NONCURRENT PROMISES TO GIVE	\$ <u>1,915,457</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

2. PROMISES TO GIVE (Continued)

In April 2017, MiracleFeet received a \$5,000,000 award from a foundation, payable over five equal annual payments. Under the terms of the award, the first three years represent an unconditional promise to give (and without restrictions), while the final two years, totaling \$2,000,000 are subject to substantial uncertainty and are consequently conditional promises to give. Therefore, as of June 30, 2019, only \$3,000,000 of the award has been cumulatively recognized as revenue (the balance will be recognized at such time as the conditions are met).

3. FIXED ASSETS

Fixed assets consisted of the following at June 30, 2019:

Machinery and equipment	\$	70,649
Website		16,450
Computer equipment		12,705
Computer software		1,253
Office equipment		<u>72,454</u>
Subtotal		173,511
Less: Accumulated depreciation and amortization		<u>(78,522)</u>
NET FIXED ASSETS	\$	<u>94,989</u>

Depreciation expense for the year ended June 30, 2019 totaled \$27,036.

4. INTANGIBLE ASSETS

On September 27, 2018, MiracleFeet completed a purchase agreement with a Chapter 11 Trustee of WonderWork, Inc., a nonprofit organization that had filed for bankruptcy. As part of the agreement, MiracleFeet received a program-restricted grant totaling \$2,562,148, as well as mission-related assets, including a list of potential donors. The total purchase price of \$845,509 was capitalized, with \$145,391 of the purchase price attributed to the donor list, and the remaining \$700,118 assigned to the grant funds. Amortization related to the intangible asset totaled \$618,879 for the year ended June 30, 2019. The unamortized intangible asset is included in the accompanying Consolidated Statement of Financial Position, with a net value aggregating \$226,630 as of June 30, 2019.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30, 2019:

Subject to expenditure for specified purpose:		
WonderWork grant	\$	458,739
Google technology grant		55,005
Uganda clubfoot program		18,119
Infant brace		<u>12,000</u>
Total purpose restricted net assets		543,863
Time restricted		<u>3,524,113</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$	<u>4,067,976</u>

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
WonderWork grant	\$ 2,168,108
Google technology grant	335,577
Zimbabwe clubfoot program	118,396
Sri Lanka clubfoot program	70,930
Latin America Train the Trainer	35,000
Cambodia clubfoot program	30,000
Mali clubfoot program	26,666
Nepal clubfoot program	25,000
MiracleFeet brace	16,667
Nigeria clubfoot program	16,667
Innovation program	12,000
Uganda clubfoot program	7,818
Ecuador clubfoot program	6,057
Vietnam clubfoot program	4,365
Senegal clubfoot program	2,026
Guatemala clubfoot program	1,780
Nicaragua clubfoot program	300
Passage of time	<u>2,899,348</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>5,776,705</u>

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use within one year of the Consolidated Statement of Financial Position, comprise the following:

Cash and equivalents	\$ 3,294,608
Promises to give	1,626,776
Accounts receivable	<u>1,250</u>
Subtotal financial assets available within one year	4,922,634
Less: Donor restricted funds	<u>(543,863)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>4,378,771</u>

MiracleFeet has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2019, MiracleFeet has financial assets equal to approximately ten months of operating expenses.

7. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2019, MiracleFeet was the beneficiary of donated goods and services which allowed MiracleFeet to provide greater resources toward its programs.

MIRACLEFEET AND MIRACLEFEET UK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2019

7. IN-KIND CONTRIBUTIONS (Continued)

Following is a schedule of contributions, presented by natural expense category, which have been recorded as revenue and expense in the accompanying Consolidated Statement of Activities and Change in Net Assets during the year ended June 30, 2019.

Donated legal services	\$	41,431
Donated advertising		1,009
Donated e-learning and training		18,957
Donated brace design and inventory management		36,150
Other program donations		<u>2,500</u>
	\$	<u>100,047</u>

During the year ended June 30, 2019, MiracleFeet also received donated advertising services (through television and magazine advertisements) with a total fair value of \$910,818. In the ordinary course of business, the aforementioned services would not have been procured by MiracleFeet, and accordingly management is of the opinion that including these amounts in its consolidated financial statements would distort MiracleFeet's actual mission-related activities, and potentially be misleading to the readers of the statements. Accordingly, the aforementioned contributions have not been included in the accompanying consolidated financial statements.

8. LEASE COMMITMENTS

MiracleFeet leases office space under a three-year agreement, which originated in July 2017. Base rent is \$5,325 per month, increasing by a factor of 2% per year.

The following is a schedule of the future minimum lease payments:

Year Ending June 30, 2020	\$	<u>66,498</u>
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Rent expense for the year ended June 30, 2019 was \$65,194.

9. RELATED PARTIES

During the year ended June 30, 2019, MiracleFeet received contributions from members of the Board of Directors totaling \$668,809. As of June 30, 2019, promises to give (from members of the Board of Directors) aggregated \$626,806.

MiracleFeet's partner in India, the MiracleFeet Foundation for Eliminating Clubfoot (MiracleFeet India), is a nonprofit also focused on eliminating the disability caused by clubfoot. Both organizations have aligned missions, as well as one common board member. MiracleFeet does not exercise control over MiracleFeet India, nor does it have voting power. Additionally, MiracleFeet does not provide substantive economic support to MiracleFeet India. Accordingly, MiracleFeet India's financials have not been included in the accompanying consolidated financial statements.

10. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, MiracleFeet has evaluated events and transactions for potential recognition or disclosure through September 26, 2019, the date the consolidated financial statements were issued.